

Minutes

CONCESSION MANAGEMENT ADVISORY BOARD

14TH MEETING

TO: All Board Members
FROM: Jo A. Pendry, Concession Program Manager

SUBJECT: Draft Minutes of Concessions Management Advisory Board Meeting August 25, 2005.

1. Call to Order.

The meeting was called to order by Chair Allen Naille at the Jackson Lake Lodge in Grand Teton National Park at 8:30 a.m.

2. Roll Call.

Present were: Board Members Burt Weerts, Jim Eyster, Phil Voorhees, Ramona Sakiestewa, Dick Linford and Chair Allen Naille.

Absent: none.

3. Welcome.

Jo Pendry announced that the meeting was held under the authority of Public Law 105-391. She then introduced Steve Martin, the Deputy Director of the National Park Service.

Mr. Martin commended the Board for working through complex issues.

4. Superintendent's Welcome.

Mary Gibson Scott, Superintendent of Grand Teton National Park announced it was National Park Service Founder's Day, the 89th anniversary or the birthday of the National Park Service. She presented the Board with an overview slide presentation of issues in the Grand Teton National Park. She also provided background information about the day to day work in the Park. She mentioned that Grand Teton and Yellowstone and the John D. Rockefeller Parkway are at the heart of the ecosystem, 13 million acres of mini forest and refuges that involve management of wildlife and cross jurisdictional issues.

Running the Grand Teton and JDR Parkway is equivalent to running several small cities. It includes city services such as water treatment plants, electrical systems, and an extensive infrastructure. Grand Teton National Park will be

doing a core operation study with the Intermountain Region to help the park become more efficient and effective. The Rockefellers are a strong partner of the national park and have been ever since the park was created. The Grand Teton National Park, JY Ranch and the National Trust for Historic Preservation are engaged in the White Grass Project.

Ms. Gibson-Scott explained that Bison and Elk play a critical role in the economy, as well as the culture of the area. A draft final impact statement was recently released that addresses Bison and Elk ecology, forest management and disease management. Public meetings will be held on this in the near future.

The Grand Teton is known for its natural resources and cultural resources. Homesteading, ranching, and dude ranches are part of the history of the west. At White Grass there is a center for preservation training which is focused basically on increasing capacity for rustic preservation techniques and preserving log structures.

There is a transportation plan that the park has had out for public comment. Basically the goals were to provide alternative experience for people visiting the park rather than just using their vehicle, and reduce human impacts to park resources and other goals. The preferred alternative is a rather ambitious multi-use pathway plan. The Jackson Hole Airport is all on National Park land, 533 acres. The Rockefeller gift of lands in the 40's was that 14,000 acres are subject to a reverter clause, and that means if one acre is not used for park purposes, all 14,000 go back to the Jackson Hole Preserve, Incorporated, which is owned by the Rockefeller family. Ninety-seven percent of all the land in Teton County is owned by public land management agencies, making the remaining three percent that much more valuable.

5. Introductions.

Chairman Naille welcomed everyone and asked for introductions. Introductions were made by all attendees of the meeting.

6. Approval of the Minutes of March 8, 2005.

Board Member Voorhees moved, seconded by Board Member Weerts to adopt the March 8, 2005 minutes. The motion carried unanimously.

7. Update on Concession Contracting Program/Prospectus Development Contractors.

Ms. Pendry reported on the status of concessions contracting efforts. As of December, 2004 there were 616 active concession contracts and 271 contracts had been issued under the 1998 law; 36 contracts that were still active from the 1996 law, with a back log of 309 contracts under "extension" or "continuation."

Since then, the total concessions contract back log has been reduced to 217 contracts. This back log is projected to be further reduced by December, 2005 to a total back log of 151 contracts. During 2005, the Concessions Program has worked very hard to reduce the backlog by over fifty percent or 158 contracts processed. It should be pointed out, that the remaining backlog consists of the more difficult contracts and the Concessions Program is working to reduce the backlog further in 2006.

Kathy Fleming provided an update on the use of contracted services for prospectus development, as required by Public Law 105-391. The Concessions Contracting Program has several contracts in place to assist with prospectus development, financial analysis and corporate support contract with Price Waterhouse Coopers. For prospectus development, there are four contractors: Booz Allen Hamilton; Dornbusch Associates; Economic Research Associates; and Price Waterhouse Coopers. The prospectus development contracts were awarded two years ago. For financial analysis, there are two contracts that work specifically on financial analysis and financial feasibility studies: Dornbusch Associates and PKF Consulting. For environmental expertise, another contract for environmental consulting in the audit program is with Prism. Ms. Fleming provided a brief history of working relations with these contractors.

Since November of 2003 when work began with the prospectus development contractors, over 120 contracting actions have been processed. A list of projects currently underway was provided. The Regions have been instrumental in the success of the program. They are managing their workloads, helping the parks prepare for large projects, recruiting staff to help with the process, including project managers. The Regions are often taking the lead in

developing the requirements for contractors, as well as evaluating the proposals, putting together the project plans, and managing the prospectus development projects.

Ms. Fleming then provided an update on other projects:

- 1) The Concessions Management Database System (CDMS) is an information management system to track the prospectus projects and concessions contracts in a consistent way.

The Concession Data Management System is in the testing mode with a Web-based contracts management system. This is an internal system for Park Service employees to enable them to go online and search concession contracts and get up-to-date management information. It is being developed as an Oracle database which will enable a concessions specialist at a park to enter a new concession contract, update information about a concession contract, and link immediately to the contract so that anyone can see a contract and its provisions online at the click of a button.

- 2) For Superintendents, the NPS Concessions Program is working on the development of Superintendent concessions training program. The Board had asked NPS to develop a superintendents training program, which is now in the development process. The concept is to bring in Superintendents and possibly their key concessions staff members for training and target those superintendents in particular who have an upcoming prospectus development project.
- 3) Prospectus Development Tools continue to be developed and refined. Currently there is a significant amount of information posted on the NPS website, available for contract specialists at the regional or park level, and is the result of a collaborative effort.
- 4) The staffing area still faces numerous challenges. Many regions do not have full staff and this hampers efforts to reduce the concessions contracting backlog. Regions are working diligently providing assistance to parks with professional

project managers who are capable and knowledgeable about writing prospectuses.

8. Regional Concession Chiefs Update.

(Midwest Region) - Sandy Poole provided an update on Midwest Region, consisting of 53 parks, 18 of which have concessions. There are 45 Category III contracts, of which 40 are current 1998 law contracts. There are 29 Category II contracts of which five are current. Of the five Category II contracts, two have been renewed. All in all 47 contracts were renewed. The annual revenue is about \$25 million and there is \$28 million in PI or LSI.

(Pacific West Region) - Ms. Dubinsky stated that in the Pacific West Region there are about 70 contracts, of which 40 are operating under extension or continuation. The region recently awarded a contract up in Olympic. The new concessioner, ARAMARK and the NPS successfully negotiated Possessory Interest with the former concessioner. A contract was awarded at Willow Beach Black Canyon to Forever Resorts, and there are another nine contracts in Lake Mead area that need to be bid and awarded. Three prospectuses are out right now, one at Channel Islands, which is a small aviation contract, one for the visitor convenience items at Oregon Caves, and one for El Portal Gas Station at Yosemite National Park. Another four contracts are intended to be out before the end of 2005: Lassen Volcanic, The House that Jack Built on Lake Chelan, Pack Station at Sequoia, and Death Valley.

For 2006, 19 prospectuses are planned. Of those, ten will be Category I, six Category II, and three Category III contracts. Ms. Dubinsky anticipated reducing the present backlog by 50 percent in 2006. Staffing has increased. The region has hired three concessions specialists to focus on the backlog of contracts.

(Intermountain Region)- Tom Williamson stated the region has 243 contracts with about \$400 million in gross sales. Cat I's which have PI or LSI, represent about 13 percent of the contracts; Cat II, which are contracts where there is government assigned facilities to the concessioner, represent about six percent of the contracts. Most are the Cat III contracts, which comprise about 81 percent of the

concessions contracts. Mr. Williamson discussed an overview of his region's efforts in negotiating the more difficult Category I contracts.

(Alaska)- Kevin Apgar provided an update on contracts via telephone. Six contracts were awarded for tour vessels at Glacier Bay. Sixteen Glacier Bay Charter Vessels, two Glacier Bay Sport Hunting Guides contracts, three Glacier Bay Lodging and Food Service, three Kennicott National Monument and Preserve contracts for sport hunting, and one Noatak National Preserve contract for sport hunting, for a total of 31 contracts. Additional prospectuses are still under solicitation, and it is anticipated that by the end of this year there will be three additional prospectuses out for sport hunting at Noatak, and a couple of prospectuses at Denali National Park. That will complete the original 1965 law contract backlog. After these contracts, prospectuses will be issued for the 1998 contracts that are now expiring. It has been beneficial to have competitive concession contracts here, benefiting the public, the visiting public and the Park Service.

(Southeast Region) - Ms. Pendry provided information for this region because the Southeast Regional Chief, Henry Benedetti, retired and the region currently does not have a chief. The Washington office has been providing a lot of support to the Southeast Region to enable them to keep some contracts moving and get some prospectuses issued. The Region is recruiting for a Chief and a Contract Specialist. The region has about 47 contracts and 23 contracts that will be remaining on the backlog after the end of this year. A couple of prospectuses will be released in the next several weeks including Fort Sumter Tours.

(National Capital Region) - Ms. Fleming provided details for this region. There are 12 existing contracts in the National Capital Region. Six of those are expired 1965 contracts and one is a '98 Act contract that is expired. There are five current 1965 Act contracts that will be scheduled for prospectus development in (not in the workload right now.) The region has been working very closely with PriceWaterhouseCoopers over the last year and a half and will be issuing six prospectuses for those six expired 1965

Act contracts.

(Northeast Region) Ms. Pendry reported that this region also was not represented today. The fairly new Regional Chief there is Pam McLay. Pam comes from the Lands Division of the Park Service and has a realty background. She has a full staff of concessions specialists and business specialists. She has about 37 contracts and is working to reduce her remaining backlog. The biggest contract that they are currently working on is the Statute of Liberty.

9. Standards Evaluation and Rate Approval (SERA) Program.

Geoff Baekey from PriceWaterhouseCoopers provided the Board with an update on the standards evaluation and rate approval program. Mr. Baekey covered four primary areas: (1) Introduction, (2) Background work to date, (3)

Milestones completed (4) Next steps.

The goal of the work of Standards Evaluation and Rate Approval, SERA for short, is to ensure the park visitors are provided quality facilities and services in a safe and sanitary manner at attractive price levels, well-segmented product types, and that meet NPS standards. The first goal was to focus on classifying and then developing standards for four primary asset groups: lodging, food and beverage, retail, and marina. These asset groups were chosen because they collectively represent about 80 percent of the revenue that is generated by the program; provide a good head start in identifying changes and bring these up to standards so that those asset classes can be evaluated and critiqued more effectively. PWC developed classifications for these four primary asset groups and piloted those in the summer of 2003 at both Yellowstone and here at Grand Teton.

PWC also commenced focus group research and retained a professional focus group firm and held focus groups in three locations - D.C., Denver, and Phoenix, randomly picked qualified participants that had visited National Parks within the last two years. In the fall of '03 and winter of '04, PWC updated and modified the classifications and standards based on the feedback of the pilot and the focus group research that was conducted.

Mr. Baekey stated that regarding the pilot program, they had been fortunate to have willing participants at the

park level and at the concession level at Yellowstone and Grand Teton. These parks were chosen because they represented all of the different asset classes that PWC was creating classifications and standards for. The pilot was very successful from a reality check perspective. It was not a full implementation, but at least provided confidence that, in the development of the classifications and the ability of the parks to classify their assets, it was successful, and that, by and large, the standards that were developed for facilities and operations were on target. The only area that will be revisited is the entire marina classification and standards that were developed.

Mr. Baekey stated there was a great concern over security because of the old door locking systems, and so key cards came up as a result of that level of concern. From a capital perspective the feedback that was received from many of the operators was that that is a very capital intensive endeavor, especially at a place like Yellowstone and Teton where there are a number of keys that would have to be interchanged. At this time no decisions have been made about which direction to go in that standard.

Task 2 is to develop maintenance standards and classification for lodging, food/beverage, and retail. This would entail (a) review the existing maintenance standard and provide recommendations; (b) compile the maintenance standard that have been incorporated into new concession contracts for lodging, F&B and retail; (c) identify stakeholders and review preliminary recommendations; and (e) develop a general definition for "maintenance standard."

Task 3 is a coordinated review of the existing general standards for risk management and public health and the proposed new draft general standard for environmental management. This includes (a) review the existing risk management and public health standards and evaluation forms; (b) review the existing draft environmental standards; (c) identify and develop recommendations in coordination with representatives from each of the program areas; and (d) update and prepare the draft standards for risk management, public health and environmental management and evaluation forms.

Task 4 is a pilot test for revised classifications and standards for lodging, food/beverage, and retail asset categories at two locations. It includes (a) test version

1.0 of the draft C&S; (b) minimum of two parks, including a large park and a medium-sized park with a representative sample of the asset categories; (c) each pilot will include park management, park concession staff and/or concessioners; (d) each pilot will begin with a 3-5 day on-site introductory and implementation session and a close-out session; and (e) develop a summary of the pilot results.

Task 5 is to complete development of draft marina standards and classifications. It includes (a) review existing maintenance standards for marinas; (b) compile the maintenance standards that have been incorporate into new concession contracts for marinas; (c) review the draft NPS Clean Marina guidebook for possible inclusion into the standards; (d) identify stakeholders and review preliminary recommendations; and (e) update and prepare draft maintenance, operating and facility standards for marina classifications.

Task 6 is an operational performance review program update which consists of (a) review existing operational performance review program policies, guidelines and processes; (b) evaluate existing rating system as identified in NPS-48; (c) identify and detail the type of skills and knowledge needed by park, region and WASO staff to implement an updated NPSCP operational performance review program; (d) present proposed recommendations to the SERA working group; and (e) revise and update recommendations.

Task 7 involves the rate approval program review and consists of (a) research and document existing rate methods used by all parks with concession contracts; (b) review and develop recommendations for updating the NPSCP rate approval program; (c) identify and detail the types of skills and knowledge needed by park, regional and WASO staff to implement an updated rate approval program and identify what will be required to professionally analyze and conduct rate analysis/approvals; (d) compile the core asset utilization data used in new concession contracts; (e) review recommendations with SERA working group and identified stakeholders; and (f) revise and update recommendations.

A general discussion followed Mr. Baekey's presentation.

10. Annual Financial Report.

Robert Hyde discussed the proposed changes to the Concessions and Financial Reporting process. These changes involve the Accounting Reporting Standards. One change is a requirement to do the Statement of Changes in Stockholders' Equity. Also added will be a comprehensive income section which is new as a result of new standards which will affect most concessioners because it deals with things like the foreign currency transactions. With regard to the new law covering LSI, a possessory interest contract would use the old schedule. With a new contract the LSI schedule should be used.

A lengthy discussion followed on the subject of possessory interest rules.

11. Public Law 105-391.

Chair Naille commented on Public Law 105-391 and asked for input on that subject.

Randy Jones pointed out that the '98 statute requires the Secretary to file a report at the end of this calendar year with the Congress on the implementation of the statute. Ideas and suggestions regarding improvements would be welcome.

No input was received, Mr. Jones and Ms. Pendry stated they would receive input at any time.

12. Leasehold Surrender Interest.

Geoff Baekey of PricewaterhouseCoopers informed the Board that the Leasehold Surrender Interest (LSI) recommendations submitted by the Concessions Management Advisory Board in December of 2004 were reviewed by the Concessions Management staff and that there had been feedback from some members within the concession community for further clarification of the Board's recommendations. As a result of this feedback, the Concessions Management Advisory Board requested that its recommendations be presented again to allow for questions, clarification, and discussion. Geoff Baekey presented the recommendations, and he and the Board members responded to questions raised.

The first recommendation was that new Leasehold Surrender Interest (LSI) credit be recognized based on the source of funds for capital investment. LSI credit would be

granted for defined CFIP items and for unforeseen events funded by the concessioner. No LSI credit would be granted for repair and maintenance expense account expenditures, replacement reserve account expenditures, or other NPS funds. A flow chart outlining the process for determining LSI crediting was presented and discussed.

The second recommendation dealt with the allocation of LSI to building and component levels. Four allocation methods were presented. Method #1 utilized the UNIFORMAT II Level 2 sub-component format. Method #2 utilized the UNIFORMAT II Level 1 component format. Method #3 utilized the building format. Method #4 utilized the portfolio format. Each method was applied for illustrative purposes to a park concession operation with combined lodging, food and beverage, and retail services. A discussion of the pros and cons followed the presentation of each method. The Board recommended that Method #1 be implemented by the Park Service for the following reasons: (1) it mirrors the life cycle analysis of the Condition Assessment and the resulting Repair and Maintenance Plan; (2) it may map directly to the Real Property Management System; (3) it can accurately capture LSI crediting; (4) it reflects industry standards for useful lives of components, and (5) it allows for adjustments to standard life for unique operating conditions over time.

The third recommendation dealt with managing LSI over time to track LSI base value, to provide for inflation increases, and to estimate physical depreciation. LSI would be granted when the concessioner provides the funds. Inflationary effects on LSI dollar amounts would be calculated using the Consumer Price Index. Physical depreciation would be estimated based upon industry standards. True-ups of estimated physical depreciation with actual physical depreciation would occur at agreed-upon intervals during the term of the contract.

Concessioners stated that they were pleased that this opportunity was made to discuss more thoroughly the process, to gain a better understanding of the process, and to have their questions and concerns addressed.

Geoff Baekey then made a presentation on Real Property Management System best practices which included: active management of real property assets to extend life and enhance quality; the following of a rigorous maintenance

plan and capital improvement schedule, a clear system that links maintenance to the financials; reduction of confusion over combining LSI management with maintenance management; providing real-time application of Condition Assessments over the life of the contact; and ensuring routine inspections to provide proactive identification of problem areas and flexibility in adjusting the Repair and Maintenance Plan according to actual conditions. A discussion followed on this subject.

Mr. Jones interjected that it was the intent, as a result of this briefing, that work would start immediately and quickly on developing regulations given timing schedules to include OMB's requirement that they must be given 90 days at each stage of the process.

13. Agenda for the Next Meeting.

Chairman Naille brought up several topics for the next meeting's agenda. He suggested a presentation on tracking and of the entire LSI program on whether or not this would involve some kind of an asset management concept, either internally or externally, and look at it from both perspectives.

Board Member Voorhees thought it might be useful to have a presentation from the Park Service on how the Concessions Program is doing on the human capital front and the impact of pace of retirements on the program.

A suggestion was made for a briefing on the process of getting a new federal regulation in place, what offices are involved, and the role of each and how much time each office has.

Mr. Jones expressed interest in a briefing on the increasingly expressed interest and intent by the Department of Labor to want to impose on concessions contracts salaries, essentially referring to them as "service contracts" and mandating that Union wages be paid. Also whether Service Contract Act applies to concessions contracts.

Board Member Linford suggested discussing status of Commercial Use Authorizations(CUA).

Chairman Naille also suggested updates on the SERA program, Prospectus Development Program and the new Superintendent's Training Program.

Mr. Voorhees suggested an update on the issue of

retailing operation friction between the concessions and the cooperating associations.

Board Member Sakiestewa suggested that the Board needs to address the issues of Indian Crafts and she suggested that the concessions/cooperating associations issues and the arts and crafts issue be considered together in the issues of time for the meeting following the one currently being discussed.

14. Public Law 105-391 (resumed) Chair Naille asked for input on this subject.

Mr. Johnson had a question concerning the prospectus evaluation panel and bid scoring, the time frame between understanding the scoring and the need for a formal debriefing on the result of the offered bid.

Mr. Jones responded there have been discussions held on that very point, as to how and when and the appropriate process to release the information. The other issue that was discussed was to insert in the regulations a very clear appeal process on contract awards, as well, since that was also an issue that has been identified by some.

Mr. Jones suggested that Board review the Lodge Guest Room Check-Off donation program as an agenda item.

Board Member Linford expressed concern, as he has before, about some of the small concessioners with significant history in parks that are not going to be able to compete in any possible new prospectus process -- concessioners like the Ansel Adams Gallery in Yosemite, Verkamps at Grand Canyon, Triangle-X here in the Valley. People that could just get blown away in any sort of bidding against the big guys. He would like to see something in the regulations that would deal with that issue.

15. Adjournment. The meeting adjourned at 4:45 p.m.